

# Banking Credit and Deposits Update: Bank Credit Continues to Surge

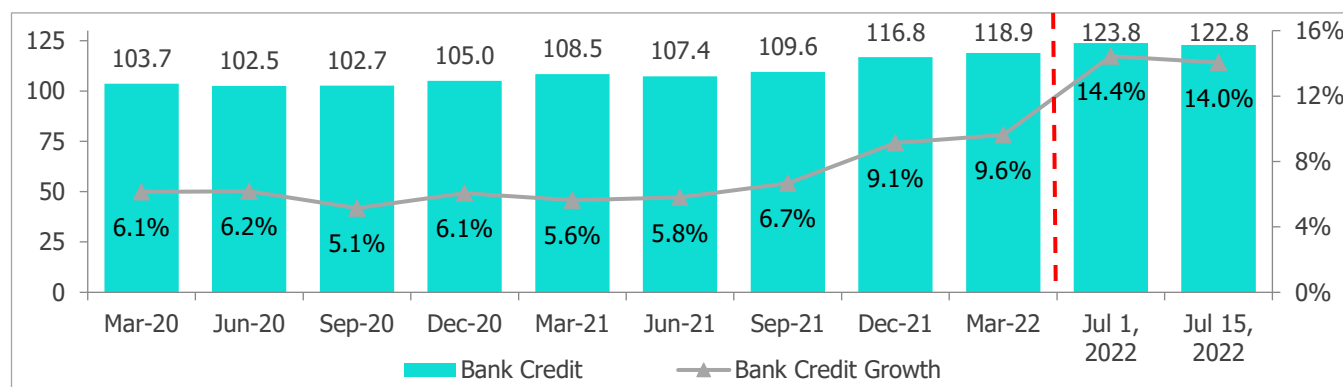


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## Growth Trend in Bank Credit Continues

**Figure 1: Bank Credit Growth Trend (y-o-y %, Rs. lakh crore)**

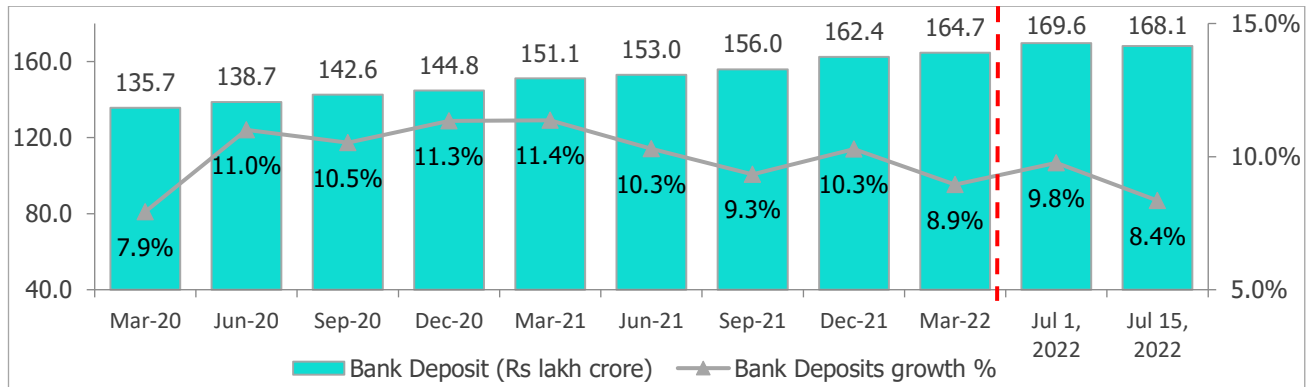


Note: Bank credit growth and related variations for all fortnights since December 3, 2021, are adjusted for past reporting errors by select scheduled commercial banks (SCBs). However, RBI has not yet updated these numbers in its database except for fortnightly documents. The quarter-end data reflect, the last fortnight's data of that particular quarter; Source: RBI, CareEdge

- Bank credit continued to witness robust growth at 14% year-on-year (y-o-y), expanding by a significant ~750 basis points (bps), for the fortnight ended July 15, 2022, up from 6.5% in the year-ago period (reported July 16, 2021). In absolute terms, credit outstanding stood at Rs.122.8 lakh crore as of July 15, 2022, growing by Rs.15.1 lakh crore over the last 12 months. The growth continues to be driven by a low base effect, small ticket size loans, working capital requirement due to higher inflation, and a shift to bank borrowings on account of high yields in the capital market. However, bank credit dropped by 0.4% from the immediate fortnight (July 01, 2022).
- Credit outstanding of the retail segment saw a robust growth at 18.1% y-o-y in June 2022 due to growth in small ticket loans, credit card receivables, housing, vehicle, and consumer durable loans. These were driven by improvement in economic activities and the job market. The credit outstanding of the industry segment registered a growth of 9.5% y-o-y in June 2022 from a drop of 0.6% in the year-ago period. The rise was on account of robust growth in the micro and small (29.6%), and medium (47.6%) enterprise segments which were driven by ECLGS and a low base. Credit for the services sector also accelerated by 12.8% y-o-y in June 2022 from a growth of 4.0% in the year-ago period primarily due to a rise in NBFCs and trade segments.
- CPI inched down to 7.01% in June 2022 from 7.04% in the previous month on account of moderation in food inflation. It, however, continued to remain above the 7.0% mark for the third month in a row. To manage the situation, RBI increased the repo rate twice in Q1FY23. Thus, the two-year G-Sec yield rose from 4.53% as of March 31, 2021, to 6.37% as of May 31, 2022, and 6.53% as of June 30, 2022. Given the situation, many banks have also raised their marginal cost of lending rate (MCLR) and deposit rates.

- After a modest credit growth in recent years, the outlook for bank credit offtake is positive due to the economic expansion tracking nominal GDP growth, rise in government & private capital expenditure, rising commodity prices, implementation of the PLI scheme, the extension of ECLGS for MSME and retail credit push. The medium-term prospects look promising with diminished corporate stress and a substantial buffer for provisions. Hence, CareEdge estimates the credit growth to be in the range of 12%-13% during FY23, however, high inflation and rate hikes could adversely impact credit growth.

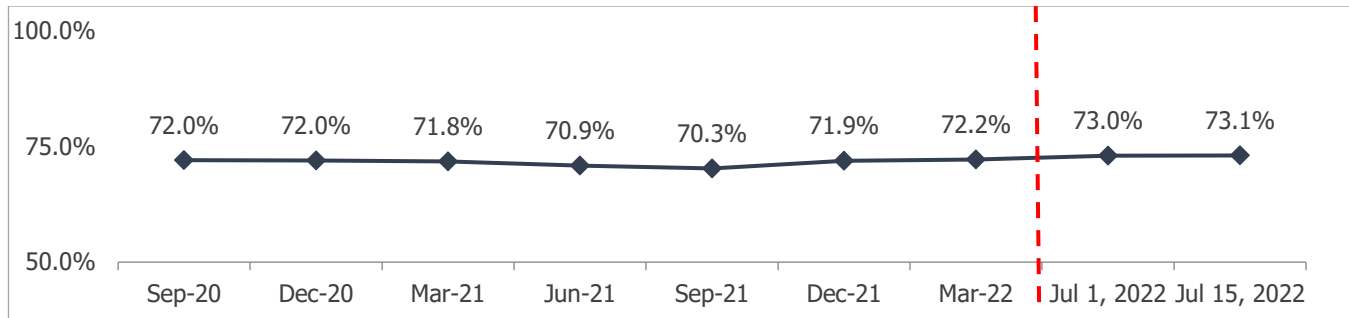
**Figure 2: Growth of Bank Deposits (y-o-y %, Rs. lakh crore)**



Note: The quarter-end data reflect, the last fortnight data of that particular quarter; Source: RBI, CareEdge

- Deposits stood at Rs.168.1 lakh crore for the fortnight ended July 15, 2022, registering a growth of 8.4% y-o-y. Meanwhile, in absolute terms, bank deposits have increased by Rs.13.0 lakh crore over the last twelve months. However, it dropped by 0.9% from the immediately preceding fortnight (reported July 01, 2022). The time deposits grew by 8.3% y-o-y, while demand deposits rose by 6.8% in the reporting fortnight when compared with 9.0% and 23.9% y-o-y, respectively, reported in the previous fortnight July 16, 2021).
- The banking system has been sustaining a liquidity surplus since June 2019 on account of build-up deposits due to higher growth in bank deposits versus credit disbursement, barring for the last couple of months. However, market liquidity has generally been trending down for the last couple of months as RBI is seeking to reduce excess liquidity from the system to manage inflation.
- The Credit to Deposit (CD) ratio which has been increasing since October 2021, stood at 73.1%, expanding by 365 bps y-o-y from the similar fortnight last year (reported July 16, 2021) due to faster growth in credit as compared to deposits. It was also marginally up by 5 bps over the immediate fortnight (reported July 01, 2022).
- If we assume credit investments to be at Rs.8.0 lakh crore (as of May 20, 2022, as per the latest data released by RBI) for the fortnight ended July 15, 2022, then the CD ratio would be around 77.8%, higher than the 75.0% in the similar fortnight last year (reported July 16, 2021) due to higher credit growth. It was also marginally up by 10 bps from 77.7% over the immediate fortnight (reported on July 01, 2022).

**Figure 3: Credit to Deposit (CD Ratio Trend)**



Note: The quarter-end data reflect the last fortnight data of that quarter; Source: RBI, CareEdge

**Figure 4: Trend in y-o-y Movement (Rs lakh crore)**

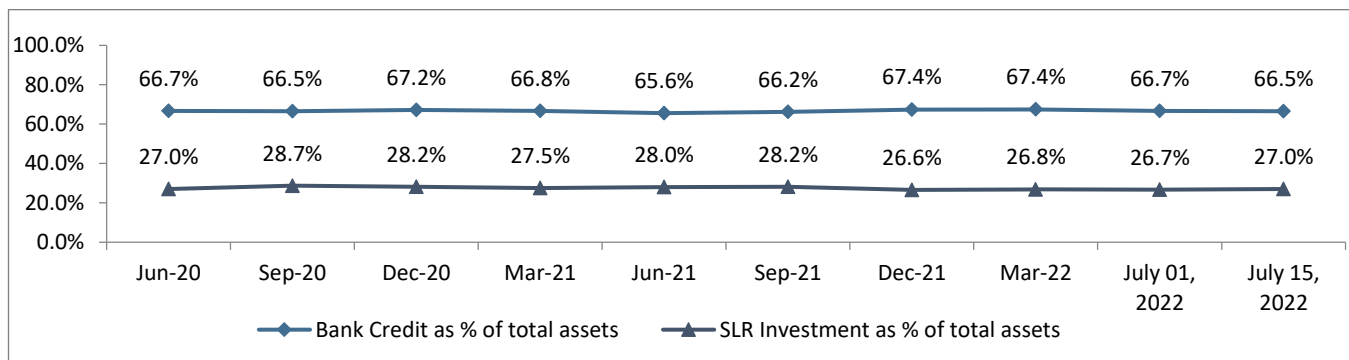
	Jul. 17, 2020	Jul. 16, 2021	Jul. 15, 2022
Credit	4.5	6.6	15.1
Deposit	13.7	14.9	13.0

Source: RBI, CareEdge

- For the last few years, deposits had been growing at a fast clip, especially when compared to credit. However, in the current year, with the reversal of this trend, the y-o-y change in credit has outpaced deposits.

**Proportion of SLR Investments to Total Assets Rises, Bank Credit to Total Assets Dips Marginally**

**Figure 5: Proportion of SLR Investment and Bank Credit to Total Assets**



Note: The quarter-end data reflect the last fortnight data of that particular quarter; 2) Total assets = Cash in hand + Assets with the Banking System + Investments + Bank Credit; Source: RBI, CareEdge

- The share of bank credit to total assets stood at 66.5%, expanding by 115 bps y-o-y in the fortnight ended July 15, 2022, as compared with the previous fortnight (reported July 16, 2021) due to higher credit growth. However, it was down by 28 bps on a sequential basis (reported July 01, 2022) as other assets grew faster compared to credit.
- Considering credit investments to be at Rs.8.0 lakh crore (as of May 20, 2022, as per the latest data released by RBI), bank credit (including credit investments) to total assets would have been around 70.8% for the fortnight ended July 15, 2022, dropping by 26 bps as compared with previous fortnight (reported

July 01, 2022). However, it was up by 21 bps y-o-y from the fortnight ended on July 16, 2021, due to faster growth in credit as compared to total assets, which however was partially offset by drop in credit investment (credit investment stood at Rs.8.0 lakh crore as on May 20, 2022, down from Rs.8.7 Lakh crore as on July 16, 2021).

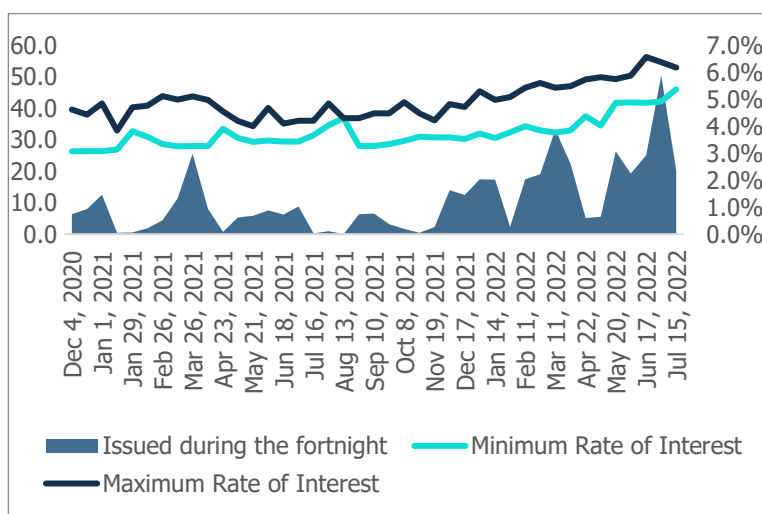
- Proportion of SLR investment to total assets rose by 28 bps in the fortnight ended July 15, 2022, compared to the previous fortnight (reported July 01, 2022) due to higher growth in deposits compared to credit. The SLR investments stood at Rs.49.9 lakh crore as of July 15, 2022, reporting a 7.1% y-o-y growth. It also rose by 0.6% from the immediate fortnight ended on July 01, 2022.

**O/s CDs Report Significant Rise, O/s CPs Fall**

**Figure 6: CD Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 27, 2020	173.0	-36.5%
Sep 25, 2020	75.6	-59.8%
Mar 26, 2021	80.1	-53.7%
Sep 24, 2021	60.2	-20.3%
Oct 08, 2021	59.2	-20.9%
Dec 31, 2021	84.7	13%
Feb 11, 2022	112.6	93.4%
Mar 11, 2022	154.4	168.9%
Apr 22, 2022	201.4	134.8%
May 20, 2022	193.0	113.7%
July 1, 2022	223.8	222.9%
July 15, 2022	235.2	264.2%

**Figure 7: Trend in CD Issuances (Rs'000, crore) and RoI**

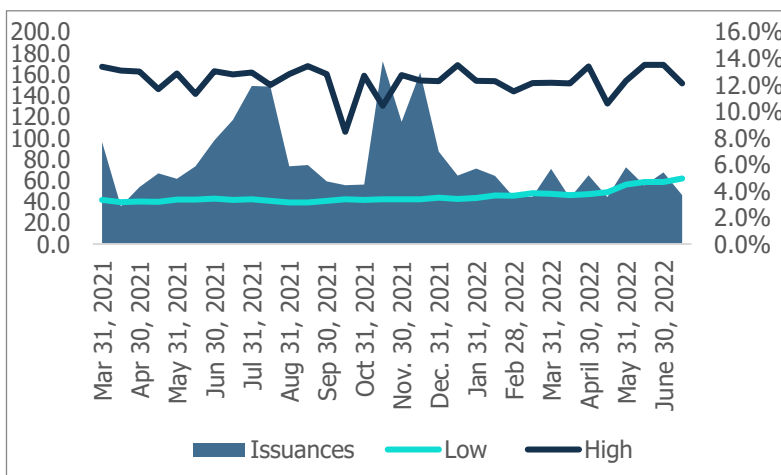


Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

**Figure 8: Commercial Paper Outstanding**

Fortnight ended	Amount Outstanding (Rs'000 crore)	Y-o-Y growth %
Mar 31, 2019	483.1	11.5%
Sep 30, 2019	459.7	-22.7%
Mar 31, 2020	344.5	-39.9%
Sep 30, 2020	362.3	-25.5%
Mar 31, 2021	364.4	5.8%
Sep 30, 2021	371.0	2.4%
Nov 30, 2021	388.4	-0.6%
Dec 31, 2021	350.1	-4.1%
Mar 31, 2022	352.3	-3.3%
Jun 30, 2022	372.5	-1.0%
July 15, 2022	381.5	-19.0%

**Figure 9: Trend in CP issuances (Rs'000, crore) and RoI**



Note: The quarter-end data reflect the last fortnight data of that particular quarter; Source: RBI

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